Weekly Economic Review

More job losses for Alberta

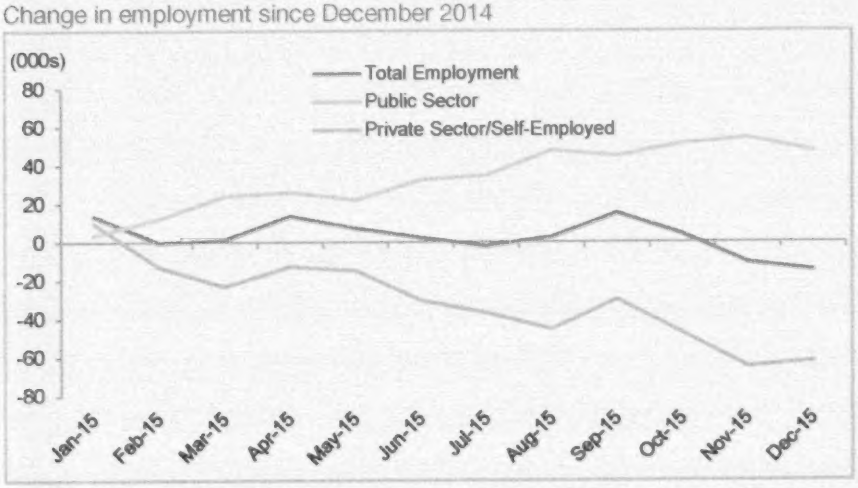
Employment

Employment challenges deepen amid economic slowdown

Alberta employment fell by 3,900 in December after declining by 25,700 over the preceding two months (Chart 1). Compared to the previous year, employment was down 0.6%. Losses were concentrated in the private sector (-13,800), though the public sector also shed jobs (-6,700). Self-employment provided some offset, up by 16,700 and more than double any other month in 2015. The service sector posted employment gains (+6,300), but were outweighed by losses in the goods sector (-10,200), where construction (-5,200) and agriculture (-3,000) posted the largest declines. All job losses were in full-time employment (-23,200), while part-time employment rose by just over 19,000. The unemployment rate remained elevated at 7.0%.

Chart 1: Job losses keep hitting private sector

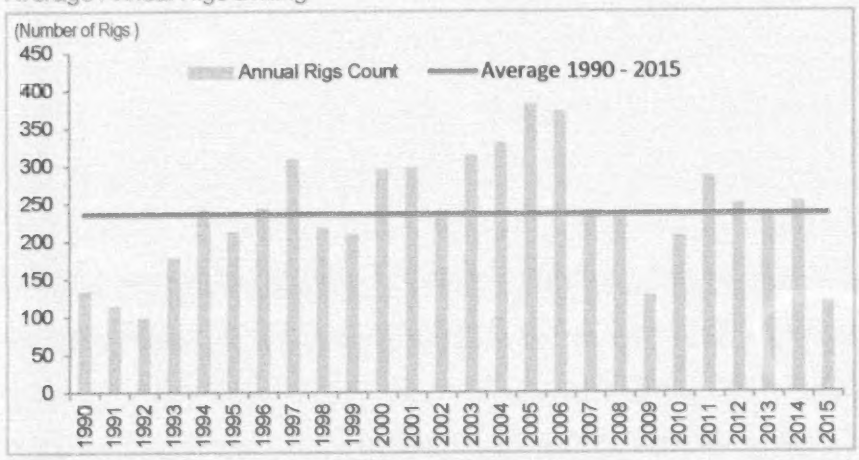
Change in employment since December 2014



Source: Statistics Canada

Chart 2: Lowest annual rigs count in Alberta since 1992

Average Annual Rigs Drilling



Source: Canadian Association of Oilwell Drilling Contractors

Employment across Canada rose by 22,800 jobs. Apart from Ontario, Quebec and New Brunswick, all other provinces posted job losses. The national unemployment rate was unchanged at 7.1%.

Rigs Drilling

Rig activity weak in 2015

There were 96 rigs drilling in Alberta in December, a decrease of 62% year-over-year to the lowest December level on record. Only 18% of available rigs were in use, less than half the rate being utilized in December 2014. Alberta's monthly rigs count averaged 120 through 2015, a 53% decline from 2014 and the lowest annual average since 1992 (Chart 2). Drilling remains weak across Canada, with the number active oil rigs down 69% y/y and natural gas rigs down 55% y/y. In 2015, Canada's total monthly rigs count averaged 184, 49% lower than in 2014. Drilling activity in the US also had a tough year, with the monthly average rigs count down 48% y/y.

Metres Drilled

Drilling down on all fronts

Metres drilled for oil and gas in Alberta were down 52% y/y in October. Low prices continue to push producers to reduce metres drilled for oil, which were down 59% y/y. Conventional drilling has been hardest hit, down 65% y/y while drilling for bitumen has been curtailed to a lesser extent, down 36% y/y. However,

total meters drilled for conventional oil was double that of bitumen. A combination of low prices, well stocked inventories and softer demand compared to 2014 have also discouraged drilling for natural gas, which was down 43% y/y. Year-to-date, metres drilled have fallen by 47%.

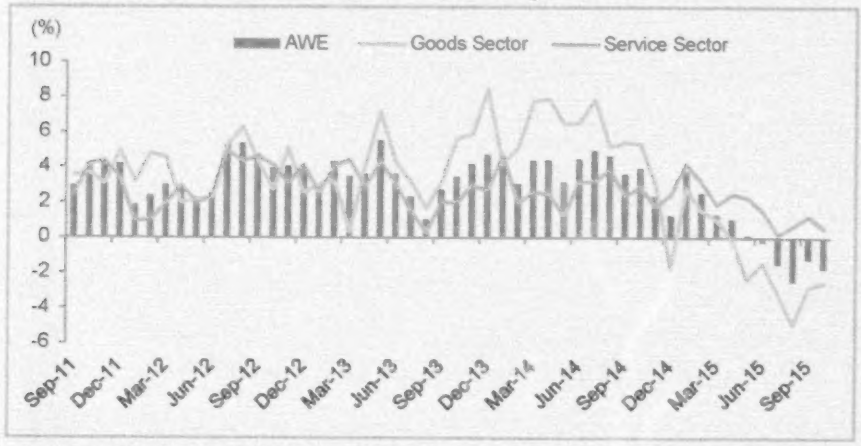
Retail Trade

Weakness spreads beyond gasoline and vehicles

Alberta's retail sales fell by 0.8% m/m to $6.3 billion in October. Compared to the previous year sales were 5.8% lower, the largest year-over-year decline since October 2009. Waning retail trade has now spread beyond gas stations and motor vehicle and parts dealers. Excluding these components, retail trade was down 0.9% y/y, with eight out of eleven retail categories reporting declining sales. In contrast, sales of health and personal care stores were up 8.8% y/y in October. Year-to-date, total retail sales are down 3.3%.

Chart 3: Goods sector weighing on the province's earnings growth

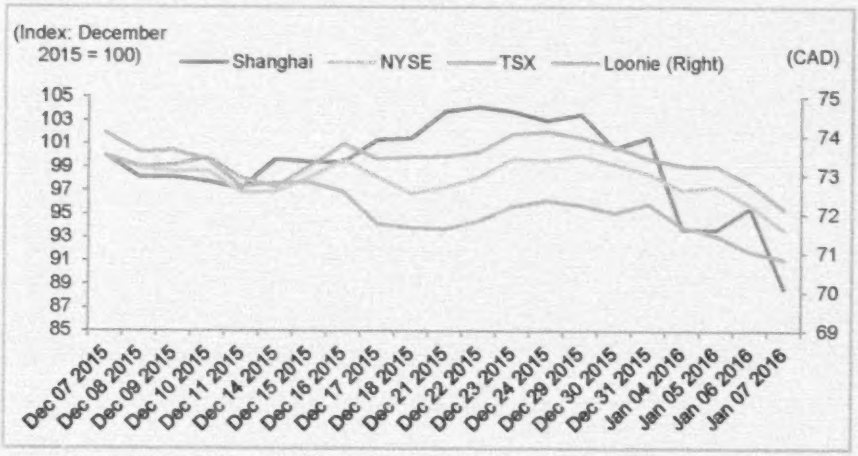
Year-over-year change in Average Weekly Earnings



Source: Statistics Canada

Chart 4: Global stock markets tumble

Select global equity indices and the Canadian dollar



Source: Haver Analytics and Bank of Canada

Average Weekly Earnings

Earnings still weak despite uptick

Average Weekly Earnings (AWE) in Alberta increased for a second consecutive month in October, up 0.6% m/m to $1,145. Despite the monthly uptick, weekly earnings remained down 1.8% y/y (Chart 3). Earnings in the goods-producing sector contracted 2.6% y/y and continue to weigh on the province's overall AWE. Service sector earnings growth was modest, rising 0.5% y/y, supported by a monthly jump in accommodation and food services earnings. Canadian AWE ticked up to $959 in October, 1.9% higher than in October 2014.

Equity Markets

Chinese stocks rout goes global

Global stock markets have been in turmoil all week, sparked by a rout in Chinese equities. Stocks plunged after underwhelming manufacturing data was released on Monday, signaling a weakening outlook for China's economy. China's central bank has also devalued the Yuan over concerns about a deteriorating export outlook. The market turmoil quickly spread, leading to losses in other global stock markets like the NYSE, NASDAQ, Canada's TSX and Japan's Nikkei (Chart 4). Several commodities and currencies also took a hit; WTI is currently trading under $33 and the Loonie is below 71 cents.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.